

Message Text

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67

ORIGIN EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 ISO-00 AGR-05 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

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FM SECSTATE WASHDC

TO AMEMBASSY ABIDJAN PRIORITY

AMEMBASSY BOGOTA

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY SAN SALVADOR

AMEMBASSY BRASILIA

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: U.S. VIEWS ON COFFEE NEGOTIATIONS

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1. SINCE THE JULY 17 FROST IN BRAZIL, TOP COFFEE POLICY

MAKERS IN THE MAJOR PRODUCING COUNTRIES (CALAZANS IN BRAZIL; ARTURO GOMEZ IN COLOMBIA AND SAWADOGO IN IVORY COAST) HAVE MADE PUBLIC AND PRIVATE STATEMENTS REAFFIRMING THEIR COMMITMENT TO SEEK A NEW INTERNATIONAL COFFEE AGREEMENT ALONG THE LINES AGREED IN THE REPORT OF THE CONTACT GROUP AT THE SESSION OF THE COFFEE COUNCIL WHICH ENDED JULY 6. THESE STATEMENTS WERE MADE IN THE WAKE OF SPECULATION THAT THE HIGHER PRICES RESULTING FROM THE FROST WOULD TAKE THE FINANCIAL PRESSURE OFF PRODUCERS TO SEEK AGREEMENT AND WOULD UNDERCUT BRAZIL'S POSITION IN NEGOTIATING SATISFACTORY BASIC QUOTAS (MARKET SHARES) WITH THE OTHER PRODUCERS.

2. THE U.S. HAS NOT COMMENTED PUBLICLY ON THE FROST AND WE HAVE NO IMMEDIATE PLANS TO DO SO. HOWEVER, SINCE WE UNDERSTAND BRAZIL HAS INVITED A NUMBER OF MAJOR PRODUCERS TO VISIT IT IN EARLY AUGUST AND SURVEY THE FROST DAMAGE, WE THINK IT WOULD BE USEFUL IF THEY HAD OUR VIEWS PRIVATELY BEFORE THEY MEET.

3. ACTION ADDRESSEES ARE REQUESTED TO PASS FOLLOWING U.S. VIEWS ASAP AS FOLLOWS: ABIDJAN FOR SAWADOGO; BOGOTA FOR GOMEZ JARAMILLO; BRAZILIA FOR CALAZANS; LONDON FOR RENE MONTES OF GUATEMALA; MEXICO FOR CANTU PENA; AND SAN SALVADOR FOR FALLA CACERES. DEPARTMENT IS INTERESTED IN ANY COMMENTS OUR VIEWS PROVOKE.

4. THE U.S. WELCOMES THE POSITIVE STATEMENTS MADE BY THE MAJOR COFFEE PRODUCERS. WE SHARE THE VIEW THAT LONG TERM COOPERATION BETWEEN PRODUCERS AND CONSUMERS OF COFFEE IS IN THE BEST INTERESTS OF BOTH. WE REMAIN PREPARED TO RESUME SERIOUS NEGOTIATIONS IN OCTOBER AND TO ATTEMPT TO CONCLUDE A NEW INTERNATIONAL COFFEE AGREEMENT ALONG THE GENERAL LINES PREVIOUSLY DISCUSSED. WE THINK THE OUTLINE OF A NEW ICA WHICH WAS EMERGING, IS SUFFICIENTLY FLEXIBLE TO DEAL WITH THE CHANGED SHORT-TERM SUPPLY OUTLOOK.

5. AT THE SAME TIME, WE ARE CONCERNED THAT ACTIONS NOT BE TAKEN BY PRODUCERS WHICH WOULD APPEAR TO HAVE THE LIMITED OFFICIAL USE

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EFFECT OF EXACERBATING THE SITUATION. WE WOULD BE PARTICULARLY SENSITIVE TO SUGGESTIONS OR ACTIONS BY RESPONSIBLE PRODUCING COUNTRY OFFICIALS WHICH MIGHT GIVE THE

IMPRESSION OF ATTEMPTING TO EXPLOIT THE SITUATION. ON THE CONTRARY WE WOULD HOPE THAT PRODUCING COUNTRIES' INTEREST IN A NEW ICA, WILL LEAD THEM TO TAKE STEPS TO

CALM THE SITUATION INSOFAR AS POSSIBLE.

6. WE RECOGNIZE THAT COFFEE PRICES MAY
REMAIN AT HIGHER LEVELS FOR AN EXTENDED PERIOD. HOWEVER,
WE SHARE THE HOPE EXPRESSED BY SEVERAL PRODUCERS THAT
PRICES NOT RISE TO A POINT THAT RESULTS IN A SIGNIFICANT
LOSS OF CONSUMPTION AND PERMANENT REDUCTION TO THE VOLUME
OF COFFEE TRADED INTERNATIONALLY. SUCH A RESULT WOULD
BE DAMAGING TO THE LONG RANGE INTERESTS OF ALL. INGERSOLL

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